

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 IGA-02 EB-11 TRSE-00 OMB-01

COME-00 PM-09 NSC-10 SS-14 RSC-01 CIAE-00 INR-09

NSAE-00 DODE-00 OPIC-12 T-03 CIEP-02 L-03 RSR-01 /116 W
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FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC 8185

S E C R E T GEORGETOWN 0391

E. O. 11652: GDS

TAGS: PFOR GY

SUBJECT: PRE- IG REVIEW OF GUYANA CASP

REF: STATE 043017

1. COUNTRY TEAM(CT) IN GENERAL AGREEMENT PRE- IG RECOMMENDATIONS
ON CASP ISSUES 1 AND 2(PARA 1-5 REFTEL) AND IN PARTICULAR
ACCEPTS VIEWS EXPRESSED PARA 5 REFTEL.

2. ON ISSUE 3(PARA 6-8 REFTEL) CT SOMEWHAT CONCERNED AT HARSH
TONE PROPOSED REDRAFT OF ISSUE RESOLUTION WHICH WOULD APPEAR TO
FORECLOSE ISSUE SHOULD GOG PRESENT DEMANDS TO REYNOLDS. WHILE
ALCAN- TYPE FORMULA MAY OR MAY NOT BE ACCEPTABLE TO REYNOLDS, IS
THIS NOT FOR REYNOLDS TO SAY TO GOG AND SHOULD USG NOT RETAIN
MAXIMUM FLEXIBILITY IN SEEKING TO BRING ABOUT THE " PROMPT,
ADEQUATE, AND EFFECTIVE COMPENSATION" THAT WILL BE OUR AIM IF
NATIONALIZATION DOES TAKE PLACE? BROWBEATING BURNHAM AND
VIRTUALLY ACCUSING HIM OF BAD FAITH FROM THE OUTSET OR EVEN
BEFORE HE MAKES MOVE WOULD SCARCELY FACILITATE ACHIEVEMENT
SATISFACTORY CONSensual AGREEMENT. FOR ABOVE REASONS (AND
SINCE AMB WARNED BURNHAM ON NOV 28 THAT ALCAN- TYPE AGREEMENT
MIGHT WELL NOT BE ACCEPTABLE TO COMPANY OR OPIC), CT
RECOMMENDS THAT SENTENCE 5 OF REDRAFTED RECOMMENDATION BE
DROPPED AND SENTENCE 6 CHANGED TO READ " CONTINUE TO KEEP
BURNHAM FULLY INFORMED ON US LAWS AND POLICY REGARDING
EXPOROPRIATION, POINTING OUT TO HIM THAT IF GUYANA DOES MOVE
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TOWARD A TAKEOVER OF REYNOLDS, COMPENSATION MUST BE PROMPT, ADEQUATE AND EFFECTIVE, OR THE USG WILL HAVE NO CHOICE BUT TO SUSPEND NEW BILATERAL CONCESSIONAL CREDITS AND VOTE AGAINST IBRD CREDITS TO GUYANA." IF PROPOSED ALTERNATIVES TO ISSUE 3 RECOMMENDATION ARE TO BE OTHER THAN CONTRIVED, CT ALSO RECOMMENDS THAT ALTERNATIVE 1 BE RETAINED AS AN ACCURATE STATEMENT OF WHAT IS LIKELY TO HAPPEN IF USG ADOPTS HEAVY- HANDED THREATENING POSTURE AT FIRST SIGN OF MOVE TOWARD NATIONALIZATION BY BURNHAM.

3. CT NOT AWARE ANY " SERIOUS DIFFICULTIES THAT HAVE AFFECTED GUYBAU OPERATIONS," (PARA 8 B) EXCEPT MARKETING AND RELATED SHIPPING PROBLEMS. THESE ARE INDUSTRY- WIDE AND WORLD- WIDE. RECOMMEND THAT THIS PROPOSED ADDITION BE DROPPED. REWORDING PROPOSED UNDER PARA 8 (C) PRESENTS EXCESSIVELY BLEAK PICTURE WHICH SEEMS PRECLUDE ANY POSSIBILITY FOR NEGOTIATED SETTLEMENT ISSU 3. ALSO, BELIEVE WORD " PROBABLY" SHOULD BE INSERTED IN PENULTIMATE SENTENCE SO THAT IT WOULD READ"... THE COMPANY PROBABLY WOULD REFUSE SUCH AN OFFER..." OTHER PROPOSED CHANGES OFFER NO PROBLEMS. KING

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